



November 12, 2003

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: Business Report

CHAIR
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Director
Costa Mesa
Sanitary District

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Supervisor
First District

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Supervisor
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ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

DANA M. SMITH
Executive Officer

The following provides your Commission with a first quarter business report for FY 2003-2004. The report includes a status update on the current LAFCO budget. The report also updates your Commission on the timing of our upcoming annual audit and advises the Commission of potential modifications to existing LAFCO/County service contracts.

LAFCO Budget

On May 14, 2003, your Commission adopted a final budget for all LAFCO operations for FY 2003-2004 with expenditures (less revenues) totaling \$930,920. The County, cities and special districts equally divide this cost, each paying \$310,306. Attached to this report (Exhibit A) is a current summary of LAFCO revenues and expenditures as of September 30, 2003, by budget category, for your review.

Annual Audit

As an independent government agency, LAFCO is now required to have its financial statements audited by an independent certified accounting firm. On February 7, 2003, your Commission ratified a contract with Moreland & Associates, Inc. to conduct LAFCO's audit for fiscal years 2001-2002, 2003 - 2004 and 2004-2005.

Moreland & Associates completed the audit for FY 2001-2002 in June 2003, and is scheduled to begin the audit for FY 2002-2003 in December 2003. The draft audit will be reviewed by the Executive Committee prior to review by the full Commission in early 2004.

County Contracts

Included in the FY 2001-2002 audit's findings was a recommendation to consider transitioning LAFCO to an independent accounting system. As a result of the audit's recommendation, the Commission directed staff to begin discussions with the County regarding amending and/or terminating some of the existing LAFCO service contracts currently in place with the County. At present, LAFCO contracts with the County for accounting, auditing, payroll, benefits, purchasing, and check writing services. Discussion with various County departments regarding these service contracts is underway. Once these discussions are

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concluded, staff will report back to the Commission with an updated plan for providing LAFCO services.

DANA M. SMITH

Attachment:

Exhibit A – LAFCO 1st Quarter Revenues and Expenditures Summary